Amendments to the Specification:

Please replace the paragraph beginning on page 15, line 9, with the following rewritten paragraph:

The input to the Block Smoothing Unit **56** is the 8-bit raw gray selector output ~~Gr.~~ Grr. from the thresholding process (under either active or default segmentation). The output from the Block Smoothing Unit **56** is the 8-bit smoothed ~~Grass~~ Grs signal, which represents a smoothed (filtered) version of the input signal ~~Gr.~~ Grr.

Please replace the paragraph beginning on page 15, line 14, with the following rewritten paragraph:

The very first step in the Block Smoothing Unit **56** is to subtract the bias of 128 (toggle the ~~Ms.~~ MSB) to make ~~Gr.'~~ Grr.' a signed number. Then, the range of (~~Gr.~~ Grr.– 128) is investigated. If it equals –1 or 1 is considered to be a weak edge, BG or FG, respectively. Anything less than –1 or above 1 is considered to be a strong BG or FG edge, respectively.

Please replace the paragraph beginning on page 15, line 20, with the following rewritten paragraph:

The Block Smoothing process includes four passes over a square temporary storage area ~~(Tm[Sm][sz])~~ (Tmp[sz][sz]) representing the size of a JPEG minimum coded unit (MCU) block for the Bgd and Fgd planes. For instance, if the Bgd and Fgd are to be subsampled by a factor of 4 for JPEG compression, and, in addition, the chrominance components are to be subsampled an additional factor of 2, then the MCU would be 16x16. And the Tmp block needed for this Block Smoothing algorithm would be dimensioned: Tmp[64][64]. Implementation constraints may require this block size to be smaller, in which case 32x32 would be acceptable. Note, the current pipeline configuration only requires a 32x32 block since chroma sub-sampling is not used when applying 1/4 resolution reduction.

Please replace the paragraph beginning on page 17, line 24, with the following rewritten paragraph:

Referring to **FIG. 10**, the Mark Edge Module **58** takes the packed form of the high-resolution Selector Spk **122** and counts the number of on and off pixels in a 5x5 [high-resolution] window ~~155~~ **150** centered on the current pixel **80** of interest. The output from the Mark Edge Module **58** is the four-valued signal See **142**. The See signal **142** is set to 0 if all of the input pixels inside the window are 0 (corresponding to a constant background area). Similarly, the See signal **142** is set to 3 if all of the input pixels inside the window are on (corresponding to a constant foreground area). In addition, the See output **142** is set to either 1 or 2 if the content of the window is mostly background or mostly foreground, respectively. Note that since See is only 4 values and could be coded with 2 bits.

The gray selector signal Grr from the PDL Segmentation Module 26 is processed through the Block Smoothing Unit **56** to create the smoothed gray selector signal Grs, which is forwarded to the Binary Scale Unit **66**. The Binary Scale Unit **66** thresholds the Grs signal to create the binary Selector signal Sel. Since the quality of PDL data is not improved by super-sampling the selector produced by the Binary Scale unit is always at the Src resolution. The operation of the Block Smoothing Unit and Binary Scale Unit is described above, respectively.